

SEED Capital Denmark III K/S

Annual Report

For the year ended 31 December 2016

2th financial year

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Management's statement

The Management have today discussed and approved the annual report of SEED Capital Denmark III K/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 6 April 2017

Management:



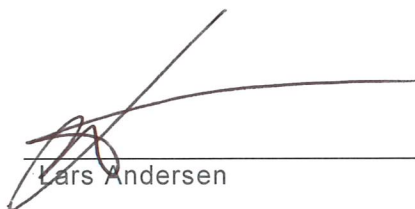
Ulla Brockenhuus-Schack

General Partner and
Managing Partner



Ulf Rosen

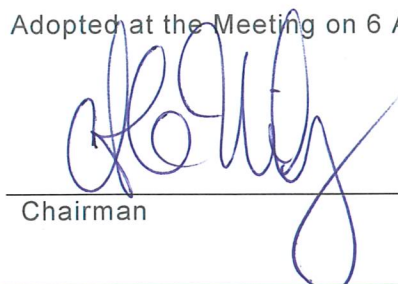
General Partner



Lars Andersen

General Partner

Adopted at the Meeting on 6 April 2017



Chairman

Independent auditor's report

To the Limited Partners of SEED Capital Denmark III K/S

Opinion

We have audited the financial statements of SEED Capital Denmark III K/S for the financial year 1 January – 31 December 2016, which comprise a statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frederiksberg, 6 April 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter Gath
State Authorised
Public Accountant

Information about the Company

SEED Capital Denmark III K/S
Diplomvej 381
2800 Kgs. Lyngby
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Fax: +45 77 14 15 15
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Registration nr. (Cvr.nr.): 36 98 86 65

Registered Office

Lyngby-Taarbæk Kommune

General Partner

SEED Capital Management III I/S

Limited Partners

ATP Private Equity K/S
Vækstfonden
Dansk Vækstkapital
C.L. Davids Fond og Samling
Chr. Augustinus Fabrikker A/S
Pre-Seed Innovation A/S
Sampension
Niels Peter Louis-Hansen
VV Private Equity
Novo A/S
PFA Pension, Forsikringsaktieselskab

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
Postboks 250
2000 Frederiksberg

Bankers

Nykredit Bank A/S

Management's Review

This annual report relates to the first financial year of SEED Capital Denmark III K/S for the period 1 January – 31 December 2016.

Objective

SEED Capital Denmark III K/S' objective is to invest in technology, research-based and knowledge-intensive companies focusing on medical technology, information and communication technologies and other high-technology areas, either in the form of share capital or the granting of subordinate, convertible loans and other related investment activities.

Capital

SEED Capital Denmark III K/S has a total capital base of DKK 819 million following a second and final closing in March 2016 with additional DKK 350 million in new commitments. At 31 December 2016, the limited partners and the general partners had paid in DKK 86 million – 11% of total commitment.

The management of the Company

SEED Capital Denmark III K/S has no employees. A management agreement has been entered into between SEED Capital Denmark III K/S and SEED Capital Management III I/S under which SEED Capital Management III I/S (hereinafter referred to as the management company) will be in charge of operations in SEED Capital Denmark III K/S. In addition, resources from Pre-Seed Innovation A/S has been used. In total, there are 22 employees, hereof 4 general partners in the two teams.

Investments

SEED Capital Denmark III K/S initially invests in the pre-seed and seed stages of a company's life cycle. Investments in these stages are inherently subject to risk. Follow-up investments will be made in the most promising companies all the way to exit.

SEED Capital Denmark III K/S' individual companies need a high level of involvement to ensure correct strategic focus, competencies and financial resources follow-up on the strategy and continued active development of the company.

Activities in 2016

A first closing of the fund of DKK 469 million in commitments were successfully signed in June 2015. Fund raising activities continued with new potential investors evaluating their interest to commit into SEED Capital III K/S. After positive due diligence, a second closing was completed in March 2016 with total 5 new major investors and a group of Friends and Family investors committing additionally DKK 350 million. Thus, total commitments in SEED Capital Denmark III K/S is DKK 819 million.

Focus is then fully to identifying and maturing new investment leads for SEED Capital Denmark III K/S. In 2016, investments in three new companies were completed. At the end of 2016, the active portfolio comprised of 5 companies. In total, DKK 52 million has been invested in these companies.

SEED Capital Management III I/S continued working closely together with Pre-Seed Innovation A/S. During the year, the team received and handled approx. 500 inquiries regarding investments, which resulted in 11 investments by Pre-Seed Innovation A/S, in which SEED Capital Denmark III K/S invested a minor amount against the opportunity to invest further, if progress is strong and important milestones are achieved.

A total commitment of DKK 36 million were made in companies during 2016.

For the investments in the three new portfolio companies, all companies attracted new funding from other external investors at a higher price per share compared to the investment made by SEED Capital Denmark III K/S, and a write up in the fair value has resulted in a positive result for the year of DKK 19 million in unrealized gains.

The result for the year amounted to DKK 3 million.

The active portfolio of 5 companies as per end 2016 are:

Investment	Business concept
Templafy	Enterprise template management in the cloud
Bownty	Aggregator of deals
OrderYOYO	E-commerce platform for take-away restaurants
Coinify	Digital currency payment processing platform
Lunar Way	Mobile based neobank for the millennial generation

Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the assessment of the Company's financial position.

Business development and outlook

The financial result is expected to be improved in the coming years with new milestones reached in the portfolio companies and with new funding at higher valuations.

Comprehensive income for the year ended 31 December 2016

		2016	2015
	Note	Jan-Dec (000 DKK)	Jun-Dec (000 DKK)
Income from investments in portfolio companies	2	19.157	16.111
Administration costs	3	<u>-15.882</u>	<u>-5.433</u>
Operating Profit		3.276	10.677
Other financial income		<u>-2</u>	<u>0</u>
Net profit for the year		<u>3.273</u>	<u>10.677</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive income		<u>3.273</u>	<u>10.677</u>

The Management recommends that the profit for the year should be appropriated as follows:

Retained earnings at 1 January	10.677	-
Net profit for the year	<u>3.273</u>	<u>10.677</u>
Available for appropriation	<u>13.951</u>	<u>10.677</u>
Recommended appropriation:		
Retained earnings at 31 December 2016	<u>13.951</u>	<u>10.677</u>
	<u>13.951</u>	<u>10.677</u>

Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)	Jun 2015 (000 DKK)
ASSETS				
Fixed assets				
Investments				
	4			
Investments in portfolio companies		88.507	38.964	0
Convertible debt instruments in portfolio companies		<u>4.632</u>	<u>1.165</u>	<u>0</u>
Total financial fixed assets		<u>93.139</u>	<u>40.129</u>	<u>0</u>
Total fixed assets		<u>93.139</u>	<u>40.129</u>	<u>0</u>
Current assets				
Receivables				
Other receivables		<u>122</u>	<u>0</u>	<u>0</u>
Cash in bank and at hand		<u>6.357</u>	<u>7.698</u>	<u>0</u>
Total current assets		<u>6.479</u>	<u>7.698</u>	<u>0</u>
TOTAL ASSETS		<u>99.618</u>	<u>47.827</u>	<u>0</u>

Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)	Jun 2015 (000 DKK)
EQUITY AND LIABILITIES				
Equity				
Investment capital paid		85.667	37.000	0
Distributions		0	0	0
Retained earnings		<u>13.951</u>	<u>10.677</u>	<u>0</u>
Total equity		<u>99.618</u>	<u>47.677</u>	<u>0</u>
Liabilities other than provisions				
Short-term liabilities other than provisions				
Other payables		<u>0</u>	<u>150</u>	<u>0</u>
Current liabilities		<u>0</u>	<u>150</u>	<u>0</u>
Total liabilities other than provisions		<u>0</u>	<u>150</u>	<u>0</u>
TOTAL EQUITY AND LIABILITIES		<u>99.618</u>	<u>47.827</u>	<u>0</u>

Statement of changes in equity

Equity

	Total committed capital	Subscribed not paid capital	Subscribed and paid capital	Retained earnings	Total
Balance 1 June 2015	0	0	0	0	0
Increase in investment capital for the year	469.220	-469.220	0	0	0
Draw Downs during the year	0	37.000	37.000	0	37.000
Distribution of gain/loss	0	0	0	10.677	10.677
Saldo pr. 31. december 2015	<u>469.220</u>	<u>-432.220</u>	<u>37.000</u>	<u>10.677</u>	<u>47.677</u>
	Total committed capital	Subscribed not paid capital	Subscribed and paid capital	Retained earnings	Total
Balance 1 January 2016	469.220	-432.220	37.000	10.677	47.677
Increase in investment capital for the year	349.800	-349.800	0	0	0
Draw Downs during the year	0	48.668	48.668	0	48.668
Distribution of gain/loss	0	0	0	3.273	3.273
Saldo pr. 31. december 2016	<u>819.020</u>	<u>-733.352</u>	<u>85.668</u>	<u>13.951</u>	<u>99.618</u>

Statement of cash flow

	2016 (000 DKK)	2015 (000 DKK)
Operating profit/loss (EBIT)	3.276	10.677
Change in fair value of investments	-19.158	-16.111
Working capital changes	-272	150
Cash flows from primary activities	-16.155	-5.283
Financial expenses paid	-2	0
Cash flows from operating activities	-2	0
Investments in portfolio companies	-33.973	-24.018
Net proceeds from sale of portfolio companies	120	0
Cash flows from investment activities	-33.853	-24.018
Contribution from limited partners	48.668	37.000
Distribution of share of proceeds from sales of portfolio companies	0	0
Cash flows from financing activities	48.668	37.000
Increase/decrease in cash and cash equivalents	-1.342	7.698
Cash and cash equivalents at 1 January	7.698	0
Cash and cash equivalents at 31 December	6.357	7.698

Notes to the financial statement

1. Accounting policies
2. Income from investments in portfolio companies
3. Administration costs
4. Investments
5. Limited partners' contribution
6. Method and assumptions for determining fair value
7. Liquidity risks
8. Credit risks
9. Interest risks
10. Currency risks
11. Contingent liabilities
12. Related party transactions
13. Accounting standards not yet adopted

Notes

1 Accounting policies

The Annual Report of SEED Capital Denmark III K/S has been presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act regarding reporting class B enterprises as further outlined in the Danish Executive Order on Adoption of IFRS issued in accordance with the Danish Financial Statement act.

In order to give a fair view of the activities in the Company as a venture company, unrealized and realized gains and losses of portfolio companies has been included in the Operating Profit/Loss.

Changes to accounting policies due to transition to IFRS

The financial statement of SEED Capital Denmark III K/S for 2016 are the first to be presented in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statement Act, and IFRS 1 (first-time Adoption of International Financial Reporting Standards) has been applied. Pursuant herewith, the opening balance sheet at 1 January 2015 and comparative figures for 2015 have been prepared in accordance with the standards and interpretations applicable at 31 December 2016.

Management has not deemed it necessary to prepare additional reconciliations between the previous and the new IFRS accounting policies as the transition of the annual report prepared in accordance with IFRS has not resulted in changes to the accounting policies in relation to recognition and measurement. Furthermore, there has been no changes to classification and presentation.

Significant accounting policies and estimates

When preparing the financial statement, the General Partners makes several accounting estimates forming the basis for the presentation, recognition and measurement of the Entity's assets and liabilities. The most significant accounting estimates and assessments are presented in note 8.

Recognition and measurement

Income is recognised in the profit and loss account as earned, including value adjustments of financial assets and liabilities. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost or for financial assets and financial liabilities at fair value. Subsequently, assets and liabilities are measured as described below for each individual item.

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

Exchange rate adjustments relating to investments in portfolio companies are presented in the statement of comprehensive income together with other fair value adjustments concerning the investments.

Profit and loss account

Unrealised and realised results of investments in portfolio companies

Unrealized and realized gains or losses from exits, distributions in investments in portfolio companies are included in the Profit and Loss account under Income from investments in portfolio companies.

Other financial income and other financial costs

Interest income and expense and similar items comprise interest income and expense, gains and losses on securities (excluding income or expenses from portfolio companies) as well as payables and transactions denominated in foreign currencies.

Tax

The Company is not a tax-paying entity, thus no tax has been expensed.

Balance sheet

Investments

Investments in portfolio companies are recognized at fair value according to "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines", in which investments are recognized at market value at the balance sheet date.

Exchange rate adjustments of investments in portfolio companies are recognized in the profit and loss account under "Income from investments in portfolio companies".

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset less transaction and transport costs.

All assets measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- ▶ Level 1: Value in an active market for similar assets/liabilities
- ▶ Level 2: Value based on recognised valuation methods on the basis of observable market information
- ▶ Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Receivables

Receivables are measured at amortised cost. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Liabilities

Liabilities are measured at amortised cost.

Contingent liabilities

Contingencies are not recognized in the balance sheet, but disclosed in the notes only. Liabilities which exist at the balance sheet date, but which cannot be measured reliably, are considered contingent liabilities.

Statement of cash flows

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss adjusted for non-cash operating items, changes in working capital, interest income and expenses and dividends received.

Cash flows from operations activities comprise payments in connection with investments, including follow-up investments and disposals of portfolio companies.

Cash flows from financing activities comprise changes in the limited partners' contribution and distribution.

Cash flows in currencies other than the functional currency are translated using exchange rates per transaction date.

Notes

	2016 Jan-Dec (000 DKK)	2015 Jun-Dec (000 DKK)
2 Income from investments in portfolio companies		
Realised losses	-704	0
Regulations regarding realised losses	0	0
Write-ups of portfolio companies	20.300	16.605
Write-downs of portfolio companies	-439	-494
	<u>19.157</u>	<u>16.111</u>
3 Administration costs		
Management Fee	15.276	3.981
Establishment Fee	305	1.302
Fee Investment Committee	300	150
Administration costs etc.	0	0
	<u>15.882</u>	<u>5.433</u>

Notes

4	Investments	Convertible debt instruments	Investments in portfolio companies	Convertible debt instruments	Investments in portfolio companies
		2016 (000 DKK)	2016 (000 DKK)	2015 (000 DKK)	2015 (000 DKK)
	Cost				
	Balance at 1 January	1.330	22.689	0	0
	Additions in the year	3.532	30.505	1.330	22.688
	Disposals in the year	65	823	0	0
	Cost at 31 December	4.797	52.371	1.330	22.688
	Write-ups/write-downs				
	Balance at 1 January	-165	16.276	0	0
	Write-downs in the period	0	-439	-165	-329
	Write-ups in the period	0	20.300	0	16.605
	Write-ups/write-downs at 31 December	-165	36.137	-165	16.276
	Fair value at 31 December	4.632	88.507	1.165	38.964

Company name	Type of investment	Valuation technique	Registration	Ownership	Equity	Profit/loss
Bow nty ApS	Fund investment	Price of recent investment	Denmark	19,4%	19.117	-9.469
Templafy ApS	Fund investment	Price of recent investment	Denmark	21,6%	12.362	-6.137
OrderYOYO ApS	Fund investment	Price of recent investment	Denmark	19,9%	807	-1.918
Coinify ApS	Fund investment	Price of recent investment	Denmark	16,8%	-5.126	-7.268
Lunar Way A/S	Fund investment	Price of recent investment	Denmark	17,2%	4.894	-6.533
						Total
	Fair value of investment in associates					86.685

Notes

5 Limited partners' contribution

The entity's shares are paid successively and pro rate. One of the share classes has a dividend preference attached when the realized return in the Entity exceeds a fixed minimum rate of return p.a. (hurdle rate) of the investors' contributed capital.

6 Method and assumptions for determining fair value

Fair value for each unlisted portfolio company is determined based on the method, which best reflect the individual investment.

Fair value is determined following the IPEV Valuation Guidelines. Because the Entity invests venture capital in early stages companies with limited revenue the fair value measurement is subject to high uncertainty.

The fair value is determined in functional currency of the portfolio company, and then translated to DKK at the exchange rate at the balance sheet date.

Upon initial investment, cost of the investments is normally determined to represent fair value. If new investors join and obtain more than just an insignificant share of the company, then the price of recent investment is used as basis or determining the fair value.

The entity's General Partners reviews the investment for potential value adjustments several times during a financial year. If the General Partners reviews lead to value adjustments, the fair value of the portfolio company is determined by the General Partners best estimate.

The Entity uses the following methods to determine fair value:

Cost:

Cost is assessed to reflect fair value when no new investors has provided equity to the portfolio company. Furthermore, investments are measured at cost when the uncertainty is too high to determine a fair value.

Price of recent investment:

If new investors provide equity to the portfolio company and receive more than just an insignificant ownership share, the price of the recent investment is normally deemed to be the best represent of the fair value.

Listed price:

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.

Below is the split between the different methods used by the Entity:

Method	2016	2015
Cost	7%	9%
Price of recent investment	93%	91%
Listing price	0%	0%
	100%	100%

Fair value hierarchy for financial instruments measured at fair value in the balance sheet.

Below is shown the classification of financial instruments, organized in accordance with the fair value hierarchy as required by IFRS:

	Level I DKK' 000	Level II DKK' 000	Level III DKK' 000	Total DKK'000
Financial instruments measured at fair value	0,0%	0,0%	100,0%	100,0%
31. december 2015	0,0%	0,0%	100,0%	100,0%

	Level I DKK' 000	Level II DKK' 000	Level III DKK' 000	Total DKK'000
Financial instruments measured at fair value	0,0%	0,0%	100,0%	100,0%
31. december 2016	0,0%	0,0%	100,0%	100,0%

Movements in financial instruments measured at fair value based on level III

All investments are measured at fair value based on level III. For further information about movements in financial instruments see note 4.

Material non-observable input for level 3

The measurement of investment in portfolio companies are based on measurement methods, in which material non-observable inputs are included such as assessment of the performance, determination of future earnings and whether a negative development should lead to the recognition of impairment write-downs.

A decrease or increase in the above-mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio companies.

The fair value of the total portfolio is measured at index 1,63 compared to the initial cost. A decrease or increase in the index at 0,05 will change the value of the portfolio with approximately DKK 2,9 million.

Uncertainty relating to recognition and measurement

In accordance with legislative provisions, the General Partner makes accounting judgements and estimates when preparing the annual report. These judgements and estimates include determination of the fair value of portfolio companies. The Entity invests venture capital in early stages companies with limited revenue. The fair value measurement is therefore subject to high uncertainty.

7 Liquidity risks

The Entity has no financial liabilities.

8 Credit risks

As a part of the investment strategy the Entity provide loans to the portfolio companies. These loans are therefore not considered as a separate credit risk.

In some cases, the Entity has receivables from sales of portfolio companies. Typically the payment is secured by the buyer depositing the receivable on escrow account in accepted credit institutions. The credit risk is therefore considered limited.

9 Interest risks

The Entity is not exposed to any interest risk.

10 Currency risks

Some of the Entity's investments are made in foreign currencies such as USD, GBP and EUR. This risk is considered a part of the investment risk thus the Entity does not separately hedge the currency risk.

When exiting a portfolio company the sale can be made in foreign currencies such as USD, GBP and EUR. Receivables in connection to the sale in foreign currency is not separately hedge. As per 31 December 2016 the Entity is not exposed to changes in foreign currencies.

11 Contingent liabilities

The Company has made a management agreement with SEED Capital Management III I/S until the liquidation of the Company. The Company is obliged every quarter to pay a management fee as a percentage of the Company's investments at the end of the preceding quarter.

The Company has undertaken to pay additional capital contributions and convertible debt instruments to the portfolio companies concurrently with the realization of specific milestones. As of 31 December 2016 this liability amounts to a total of DKK 3.7 million.

12 Related parties

The Company's related parties are the following:

- SEED Capital Denmark III K/S has a management agreement with SEED Capital Management III I/S. The Entity has paid DKK 15.3 million in management fee to SEED Capital Management III I/S. Furthermore SEED Capital Management III I/S has a cooperation with Pre-Seed Innovation A/S.
- The partners of the Management Company work partially for Pre-Seed Innovation A/S and SEED Capital Denmark III K/S handles investments in cooperation with the innovation environment.
- The limited partners handle investment of committed capital and receive payments according to agreement made.

The Company's agreements with related parties are made based on arm's length principle.

13 Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2016 have been issued. None of these new issues are expected to have a material impact on the financial statements.